



Digital Order Fulfillment

The traditional approach isn't working—
what's the alternative?



The Game Has Forever Changed

Customer experience has always been at the heart of omni-channel order fulfillment, driving innovations like “buy-online-pickup-in-store” (BOPIS) and “buy-online-return-in-store.” Even in the B2B space, customer loyalty and trust are business-critical. A recent Gartner survey found that trust contributed over twice as much to the customer experience than even product expertise and commitment to customer value realization.

That’s why everyone from retailers to logistics service providers to manufacturers and distributors are scrambling to find a suitable omni-channel technology strategy. In the wake of COVID-19, as people grapple with uncertainty, as well as new customer and consumer demands, such as surges in online shopping and returns, business have been forced to adapt and recover whatever trust had been strained.

Today’s challenge is not only managing high customer demands across multiple channels but doing so amid disruption. And that paradigm applies beyond our current pandemic. A successful technology strategy in a global, dynamic, and disruptive playing field is built on resilience. Which means being flexible and agile under unexpected conditions.

Because legacy systems unfortunately lack the flexibility to modify and adapt to changing pressures, the popular approach has been to purchase state-of-the-art systems capable of addressing every new pain point that arises.

Despite the fact that these systems are themselves agile and flexible, having multiple disparate solutions becomes a time and cost burden that actually limit flexibility and can even affect the customer experience.

Order Fulfillment Is a Constraint- Based Process

The best way isn’t always the cheapest way

Omni-Channel Fulfillment Transcends the Value Chain

Operating and optimizing across silos.

Unifying Solutions to Optimize the Full Order Lifecycle

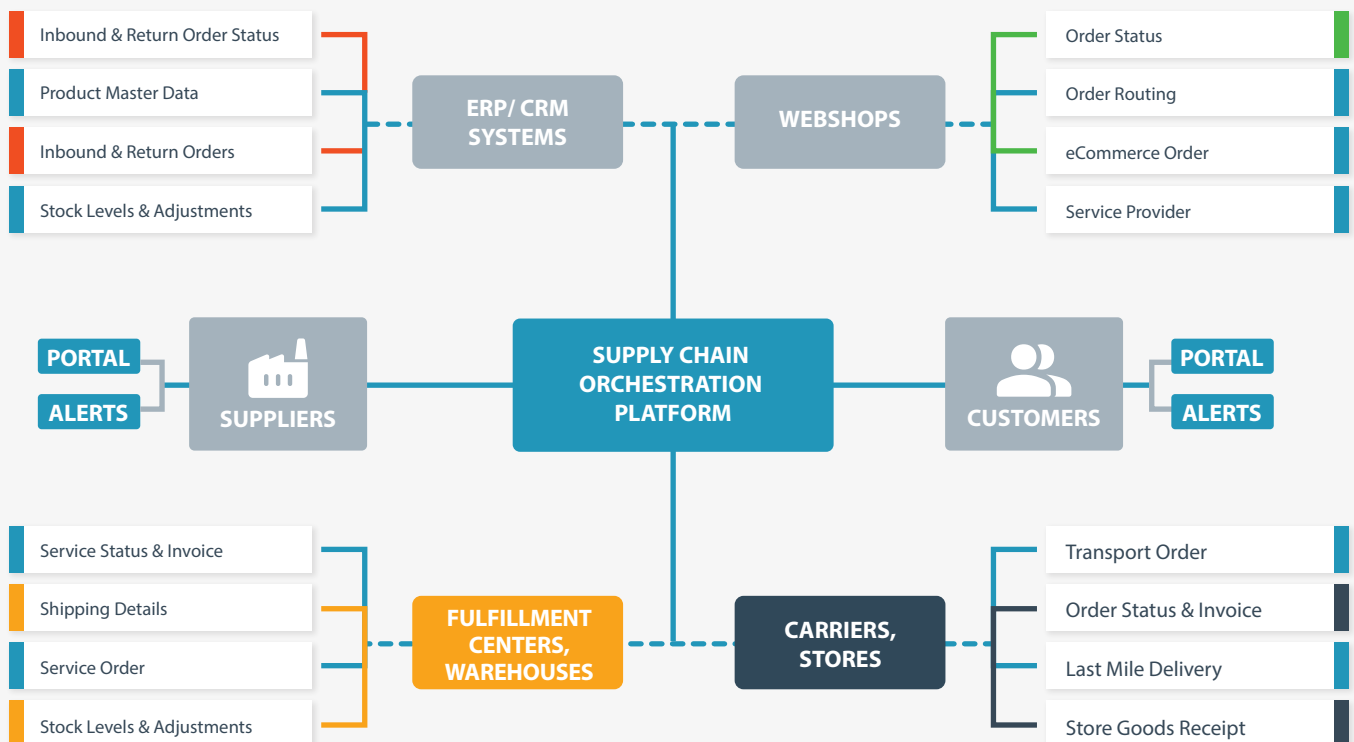
Configurability empowers brands to adapt and act fast.

While the overall aim of omni-channel fulfillment is to get products to end customers as efficiently and cost-effectively as possible, the processes involved in doing so are dynamic, not linear. Because fulfillment processes contain many requirements and constraints, strategy will vary by brand, industry, customer, region, potential daily exceptions, and so on.

That's why more and more businesses are realizing that their fragmented systems architecture is failing them. Stand-alone solutions tend to be proprietary and not designed to be interconnected. As a result, each system will factor the requirements and constraints of its own function, rather than the entire operation. Without holistic visibility and control over the full order lifecycle, companies may optimize an action at one touch point to the detriment of another.

Historically, businesses have been held back by their tendencies to work in silos and purchase technology in silos. To enact a successful omni-channel fulfillment technology strategy, it's critical for businesses to realize the traditional practices and mindsets that are holding them back and start considering a more powerful, holistic alternative, such as a supply chain orchestration platform.

A supply chain orchestration platform, as indicated in the image below, connects multiple, disparate systems and parties for one unified view and control over the planning and execution of all order types. This allows brands to optimize across silos toward a cohesive and cost-effective customer experience.



Digital Order Fulfillment

Leveraging Smart Business Rules

Intelligent order planning and execution leverages smart business rules to factor constraints before determining the optimal fulfillment path.



1 Customer Order Planning

Constraints

- Order Priority
- Inventory Allocation
- Replenishment



2 Shipment Order Planning

Constraints

- Flow Paths
- Service Levels
- Costs



3 Service Order Planning

Constraints

- Resources
- Capacity
- Capability

Order Fulfillment Is a Constraint-Based Process

Omni-channel fulfillment can be difficult to optimize because of the sheer magnitude and complexity of all the factors at play. Consider the process: An order is received through one of multiple channels; the customer's requirements will meet one of multiple possible service levels; the order must then be sourced from one of multiple locations, routed through one or more of several possible modes, using one or more of several possible carriers. Once the order is finally delivered to one of multiple destination points (i.e. direct to consumer, direct to fulfillment center or store), the customer may choose to send it back – a returns process which holds its own complexities.

Additionally, companies have other variables to consider, such as tax, customs, and compliance changes for international orders.

They must also be prepared to swiftly handle unexpected scenarios, ranging from tariffs to floods to pandemics which affect successful fulfillment and a consistent customer experience.

Put simply, order fulfillment is a constraint-based process. To consistently optimize order fulfillment, brands must determine how to make the best use of their assets (e.g. facilities, partnerships, transportation modes, finances), given customer expectations, whether B2C or B2B, and the constraints of each order.

The best way isn't always the cheapest way, but a balance of all these constraints.



Omni-Channel Fulfillment Transcends the Value Chain

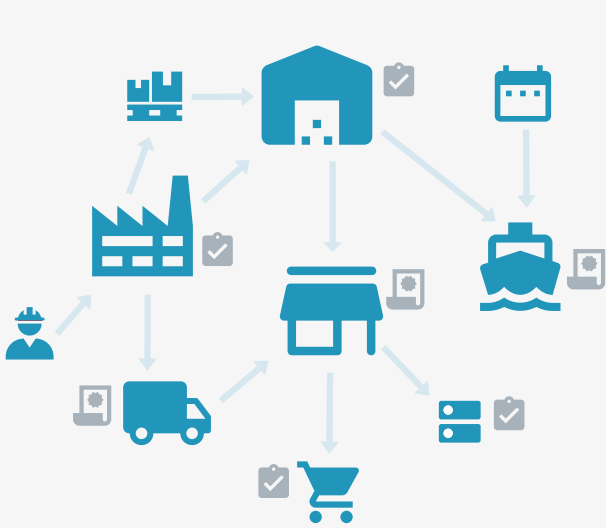
Companies, as part of multi-party networks, exist in an ecosystem. The function and decisions made by any branch of the supply chain affect the whole. Yet, within enterprises and across the greater value chain, business processes tend to be siloed and exist within a fragmented systems landscape. Data contained within an OMS and WMS and TMS each rely on their own system of record. Without unification, there's no single version of the truth, no end-to-end visibility, and no optimization across all constraints.

There's also the problem of departmental silos to overcome. From e-commerce to logistics to manufacturing and procurement, each sector has its own incentives to focus on, with little awareness for the greater picture. So, while one branch purchases an order management system to make smarter sourcing decisions and another buys a transportation management system to gain visibility over shipments, the departments don't tend to communicate on a solution that integrates and optimizes the planning and execution elements as a whole. With disparate systems, each department can perform well within their own silos, but they do not have the global visibility or control to make holistic, strategic decisions.

Cross-silo decisions are ultimately more cost-effective. For instance, bypassing a DC might increase transportation spend but lower the full cost-to-serve figure. Fulfilling orders from a single location may be the standard practice, but leveraging multiple locations across the network can positively impact service levels.

Without global visibility, there's no way to gain such strategic insight into the bigger picture and adapt practices in ways that enhance customer loyalty.

A successful omni-channel fulfillment technology strategy must therefore transcend the value chain. Visibility, control, and optimization must occur across silos, not within them. In this sense, businesses benefit a great deal from multi-enterprise business network technology, or technology designed to orchestrate across a domestic and/or international ecosystem of business partners.



Traditional data flows are disconnected

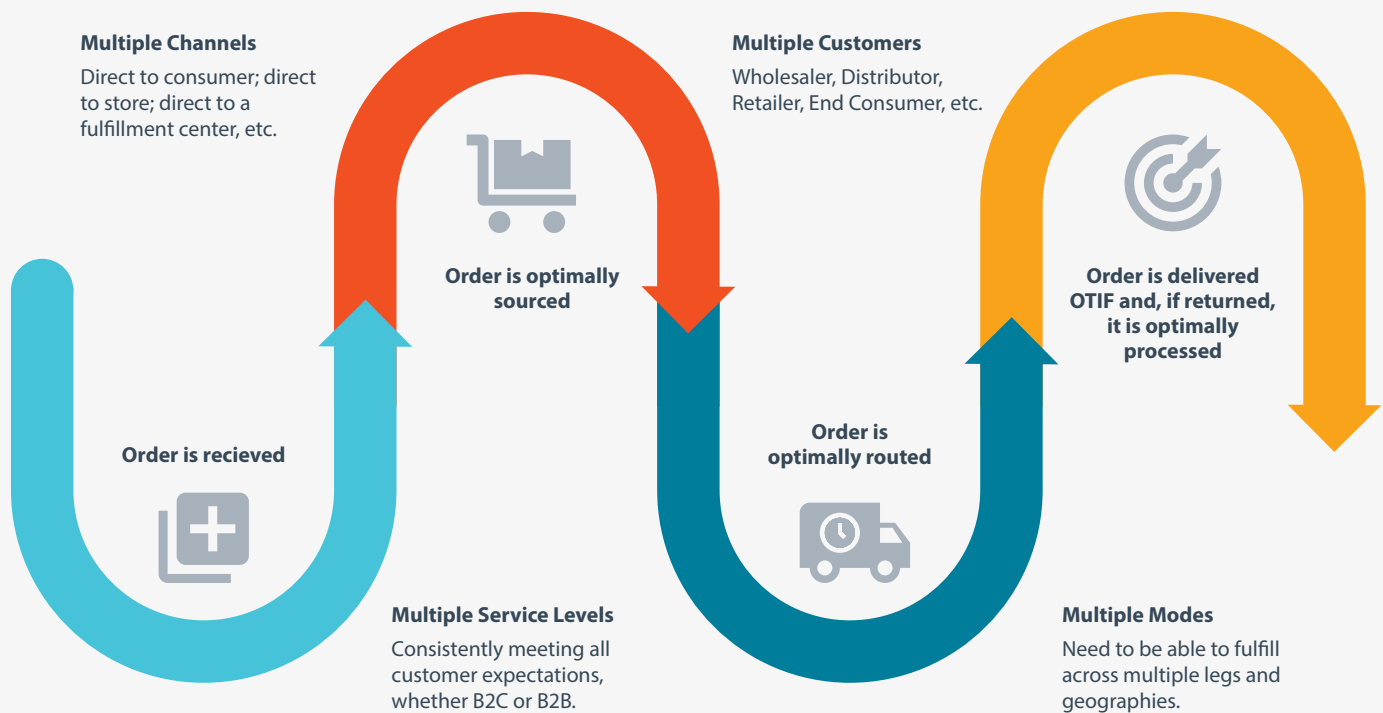
With purchase, sales, and return orders bouncing between suppliers, warehouses, fulfillment and return centers, multi-modal carriers, customs, and B2B and D2C customers.



Network data flows are centralized

A unifying supply chain orchestration platform standardizes and simplifies data flows by connecting multi-party network systems and placing customer orders of all types at the center of business processes.





Unifying Solutions to Optimize the Full Order Lifecycle

The traditional technology strategy of focusing on a point solution is no longer a viable one. Effective supply chain orchestration requires global visibility across all network parties, strategic planning that is aware of all service level expectations and constraints, and granular insight into the details of every touchpoint. Moreover, because omni-channel fulfillment deals with the full order lifecycle, visibility and control must span every order type and every flow type –including returns.

Configurability is also key to any omni-channel fulfillment technology strategy. While customization is static and takes time to adjust, configurability empowers brands to act fast and adapt with new flows, partners, or products before their competitors.

A supply chain orchestration platform offers global Control Tower capabilities that unify fragmented systems on a single platform, exposing the problematic processes and behaviors that occur in silos. The technology also holistically supports and optimizes all inbound, outbound, and reverse flows, offering TMS, OMS, and reverse logistics capabilities all on one platform. As a supply chain solution that supports the full order lifecycle and optimizes across silos, it's a gamechanger.



Making the Case

It's up to the CSCO and CIO to change the paradigm to a holistic approach that optimizes across departmental silos rather than within them. A holistic approach to a technology strategy begins by placing the order flow at the center of that strategy. In other words, an order-centric strategy is designed around the full order lifecycle. It is a technology strategy which recognizes that all order flows affect one another, that multi-party collaboration spans planning, execution, and reverse management, and that balancing customer service levels and the costs accumulated to meeting them can be optimized holistically.

Years ago, companies like Walmart, saw the supply chain as a competitive advantage, invested early, and are now industry leaders. Those who were slow to invest are still playing catch-up. Only, now, the supply chain isn't just a strategic advantage, it's a matter of survival. Flexibility, process alignment, and execution speed are what's keeping companies afloat in today's disruption. Adaptability is vital.

A unified, order-centric platform enables flexible management and control across the full order lifecycle. By connecting disparate systems, brands extend their visibility and control, an essential component to being able to adapt and act fast, whether through dynamic inventory allocation or fulfillment. Converging order and logistics management also improves flexibility and optimization, as it extends cost management and fulfillment strategy to intelligent sourcing, routing, and carrier planning, in addition to execution. The holistic approach also spans returns management, so similar optimization and cost strategies get factored into the greater picture.

The idea is to understand where cost truly is at every touch point in the supply chain. Only then can brands begin to see the effects of every constraint and how it bears on service levels and costs. With a fuller view, brands can optimize all orders continuously and realize how to reliably fulfill on the perfect order – delivering at the highest service levels and lowest possible costs.

It still remains true that delivering upon a successful technology strategy for omni-channel fulfillment is about aligning people, process, and technology. Like the notion above that compels us to look holistically around the entire order lifecycle flow to optimize processes and costs, the organizational component is just as important to align across these processes as well.

The silos need to be broken down in the organization to drive the most efficient processes and a holistic technology strategy for omni-channel fulfillment. Delivered through an order-centric platform, brands can enable such success for their company and their customers.



About Kinaxis Inc.

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